MONTANA BUSINESS QUARTERLY

Volume 33, Number 2 Summer 1995

Time to Stop Promoting?

BITTERROOTERS TALK ABOUT TOURISM

Visit and move on.
No more Jackson Holes or Colorados.
No militia camps.
Tourism helps the economy.
Planning and management are the keys.

ALSO IN THIS ISSUE :

- Lone Eagles
- Price Tag on the Environment
- Highway Subsidies

MONTANA BUSINESS QUARTERLY

Volume 33, Number 2 Summer 1995

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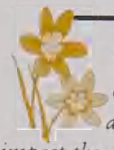
Tourism Promotion, Development, and Management

by Nancy Lee Menning



"If tourism can fit in and not impact the quality of life here, great; if not, then forget it!"

- Bitterroot resident

From Promotion to Development

Montana's tourism industry, promotion-heavy just a few years ago, has a different look in 1995. The state travel promotion division, Travel Montana, has shifted dollars formerly earmarked for promotion into product development.

This shift at Travel Montana, backed at the policy level by the Governor's Tourism Advisory Council, is a response to real world changes. In 1985, Americans apparently didn't know where Montana was. By now, 1995, we've been the darling of the press for some years, and the glow of *A River Runs Through It* is only superficially tarnished by news of militia activity or the hastily abandoned idea of mandatory registration for convicted homosexuals.

Changes have occurred within the state as well. Hard hit by the economic downturn of the 1980s, Montana communities looked longingly to tourism for economic revival. In response, the legislature passed a statewide accommodations tax with a promotion mandate, betting on promotion as both necessary and sufficient to grow a tourism industry, and with it the state economy.

Tourism, along with other service industries and some manufacturing, has fueled Montana's economic growth in recent years. While Montana isn't experiencing the tremendous acceleration of some nature-based travel destinations—such as Costa Rica—our tourism industry has, nevertheless, been growing. Meanwhile, the state's more traditional natural resource industries have either remained stable or declined.

Montana's media image may be broad brush—covering the entire state with one mythic hue. But tourism growth is location specific. Especially in Western Montana, booming summer tourism has some of the same communities that once courted economic development through tourism now pleading for economic relief from its impacts. They propose using accommodations tax revenues to help pay for community services, arguing that tourists contribute too little through the present tax system.

While certain communities seek relief from tourist impacts, many other Montana communities could still benefit from economic development of tourism opportunities. Even with substantial promotion of a statewide image, many communities and regions still aren't getting their share of nonresident travel's economic pie.

Community Tourism Assessment

With some cities and towns lining up for a redistribution of the accommodations tax on one hand, and, on the other, a realization that promotion alone wouldn't bring tourism's economic benefits to every community, Travel Montana began shifting revenues from promotion to development. Lack of tourism product—something to do—was thought to constrain nonresident travel in certain areas. Enter the Community Tourism Assessment Program, cooperatively developed and facilitated by Travel Montana, the MSU-Extension Service, and UM's Institute for Tourism and Recreation Research.

Under this program, selected communities determine if they have potential for further tourism development. Over a year-long period, local committees explore what tourists want, what entrepreneurs and businesses can provide, and what aspects of tourism development and its positive and negative impacts are acceptable to local residents. Ultimately, communities identify what type of tourism, if any, might be a positive tool for local economic development.

A Community in Change

The Bitterroot Valley of western Montana, defined by the boundaries of Ravalli County, was chosen as one of three communities to participate in the assessment process during 1995. In their application, Bitterroot residents noted the need for both economic diversification and growth management. The accompanying sidebar and graphs suggest the scope and urgency of this felt need.

In 1991, with the Valley's latest growth cycle accelerating, the Bitterroot Futures Study identified comprehensive land use planning, followed by protecting quality of life, as the most critical issues facing the Valley. This context of change, in both economic base and population, and the concerns for land use planning and quality of life that arose from it, were the basis for the Bitterroot Valley's application to the tourism assessment process.

Acceptability of Tourism Development

Assessing potential for tourism development is more complicated than matching what tourists want with what communities can provide. Supply and demand operate in the context of local acceptability; all three are necessary for development potential. Entrepreneurs provide opportunities and tourists make consumer choices, but the host community decides what impacts are acceptable. Most of the following examines that third leg of the potential for tourism development in the Bitterroot Valley.

This spring we surveyed resident opinions about tourist activity and tourism development in the Valley. Many positive and negative impacts of tourism can be objectively tallied (economic gains, infrastructure strains), but resident opinions reflect the acceptability of those impacts. As such, they measure support for industry actions and suggest where industry leaders can accentuate positive impacts and mitigate negative ones.

Our survey of resident opinions was conducted between March and May of 1995. We mailed questionnaires to 782 Ravalli County households, randomly chosen via the telephone book. After accounting for bad addresses, etc., our net sample size was 617. By early May, 285 usable surveys had been returned, for a net response rate of 46 percent. Another 70 interviews were conduced by phone on May 8 and 9, 1995. Table 1 details respondent characteristics.

"I would hope the development of tourism and development of the Valley overall be carefully planned and controlled so the atmosphere and beauty of the Valley is preserved. The planning needs to take place now since the Valley has already changed a great deal."

- Bitterroot resident

We asked Valley residents whether, on balance, tourism's benefits outweighed its disadvantages. Just about half (49 percent) agreed or strongly agreed that the overall benefits of tourism outweighed the negative impacts, 33 percent disagreed or strongly disagreed, and 18 percent had no opinion (Figure 7).

We've been asking this same question of Montanans for several years, and state residents overall are much more enthusiastic in their assessment of tourism impacts than are Bitterrooters. Between 65 and 80 percent of Montanans overall—compared with 49 percent of Bitterrooters—agree that the benefits of tourism outweigh the negative impacts. But this disparity is consistent with a pattern we see elsewhere in the state: as tourism levels increase, resident support for tourism decreases.

Whether one favors a particular industry or not, one should hope that, in general, people experience positive outcomes and not the negative ones. Some impacts in our survey were phrased in a positive direction and others in the negative; ideally, we would want Bitterrooters, on average, to agree that they perceived the positive statements and to disagree that they experienced the negative statements. However, residents agreed with only three of the six positively-phrased statements and disagreed with only one of the eight negatively-phrased statements. Of notable concern were the impacts of tourism on traffic and on quality-of-life. Also, Bitterrooters overwhelmingly agreed that the low-paying nature of many jobs in the tourism industry was a problem.

Industrial Mix

Communities pursue tourism largely as an economic development strategy. They may have other options for economic development and the mix of local industries can be important to residents. When asked which industries they felt offered the greatest opportunities for future economic development, only mining was overwhelmingly rejected by Bitterrooters. Tourism,

(continued on page 6)

"My biggest concern is the population growth and development that decreases the quality of life in the Bitterroot."

"We see the Bitterroot Valley becoming overcrowded and the quality of life diminishing."

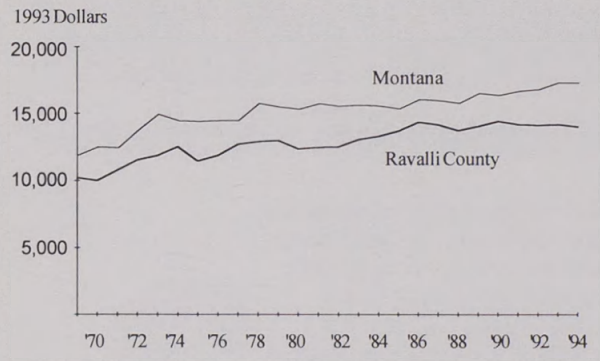
"We are simple people, who want simple things out of life—not radical change caused by newcomers moving into the Valley from large cities."

"The question assumes we want increased tourism; I don't."

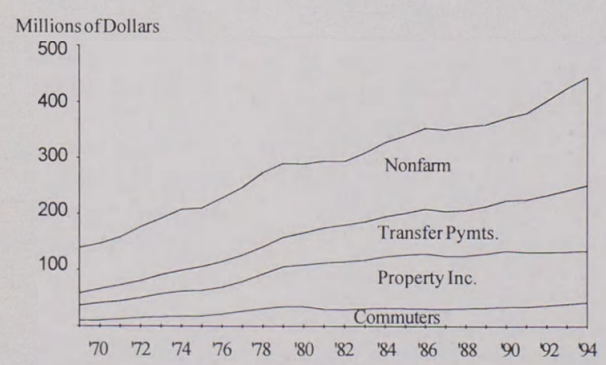
"Please don't promote our little Valley anymore. We are losing the quality of life at a rapid enough rate as it is."

- Bitterroot residents

Figures 1 & 2
Per Capita Income
Montana and Ravalli County, 1969-1994



Components of Total Personal Income
Ravalli County
1969-1994



Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and The University of Montana, Bureau of Business and Economic Research, Economics Montana.

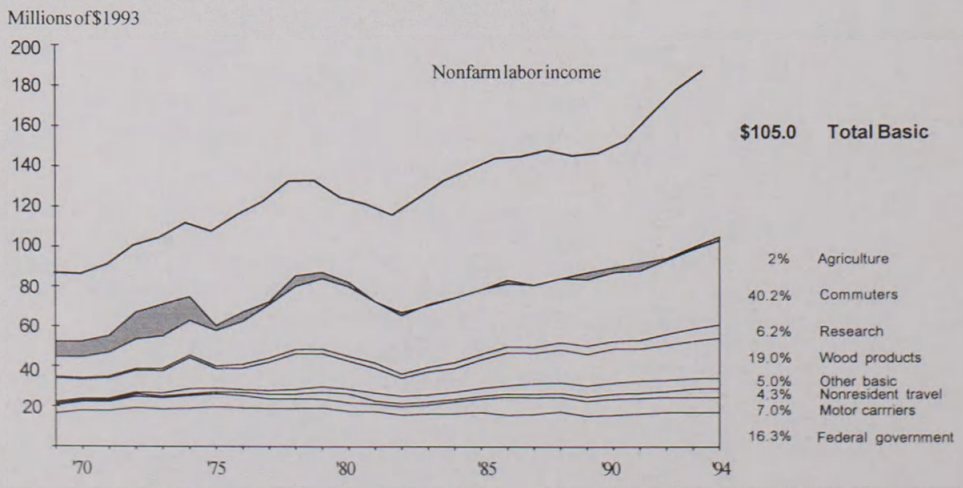
Even by Montana standards, Ravalli County has low per capita incomes (Figure1). Figure 3 shows how the employment base has changed in recent years. Influenced by larger trends and by the conversion of farm lands into residential tracts, agriculture is becoming an ever smaller portion of the labor income base. The wood products industry also used to represent a much larger share of total Valley wages than it does now—although the concentration of log home builders in the area has buoyed worker numbers in recent years.

Meanwhile, commuters' share of labor income has risen substantially (Figure 2). Ravalli County per capita incomes would probably be even lower without these commuters. But traffic pressures might ease—at least on the Highway 93 corridor into Missoula. According to the 1990 census, 68.5 percent of the nearly 10,000 strong labor force (working both in and beyond county boundaries) drove alone to their work place, while only 13.4 percent used carpools. Mean travel time for this group was 18.3 minutes. Of the remainder, 15.9 percent walked or worked at home. Public transportation is not available in the Valley.

Figure 2 also breaks out another important trend, the growth of transfer payments. Transfer payments include Social Security and other federal retirement income, Medicare and Medicaid, unemployment insurance, and welfare. This income category is becoming increasingly significant throughout Montana and across the nation.

Paralleling this rather volatile income picture is the Bitterroot Valley's rapidly changing population. Census Bureau estimates (Figure 4) credit

Figure 3
Nonfarm Labor Income and Labor Income in Basic Industries
Ravalli County, 1969 - 1994

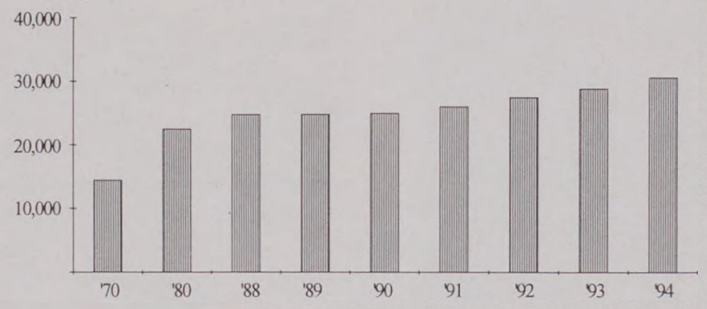


Sources: U.S. Department of Commerce, Bureau of Economic Analysis; and The University of Montana, Bureau of Business and Economic Research, Economics Montana.

Ravalli County with 30,700 residents in mid-1994, an increase of 22.8 percent in just the past four years. Compare that rate with the entire decade of the 1980s, when Ravalli County population grew only 11.2 percent. Long-time residents, however, must be reminded of the 1970s, when county population surged by 56.1 percent over the decade.

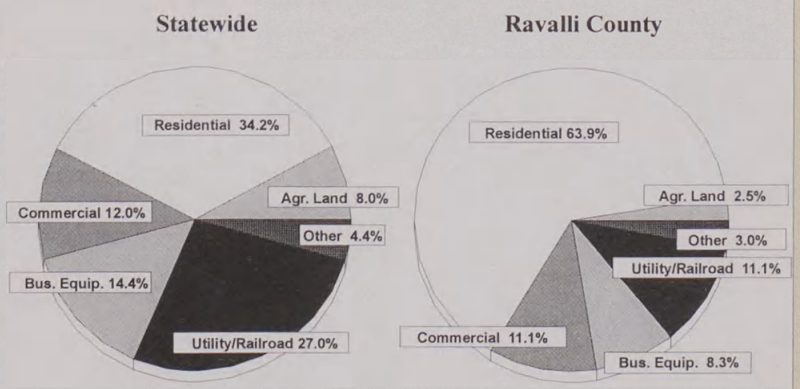
How do these broad changes in income, employment, and population affect public finances in the Valley? Figures 5 and 6 chart recent changes in Ravalli County's single most important local revenue source, property taxes. Taxable values rose 43 percent between 1987 and 1994. Meanwhile, the property tax base is ever more dependent on residential and commercial property owners (Figure 5). In some counties (Sanders, for instance), utilities and railroads provide a much larger share of total property taxes, thereby decreasing the pressure on home and business owners. Not so in Ravalli, where residential and commercial property now account for a full 75 percent of the total base. Figure 6 shows the beneficiaries of Ravalli County property taxes. Between Fiscal Years 1989 and 1995, taxes paid increased 85 percent, far outstripping inflation (26 percent). Revenues to local governments barely kept pace with inflation, while schools received $5 million of the $6.7 million overall increase—most of that attributable to rising enrollments.

Figure 4
Population in Ravalli County



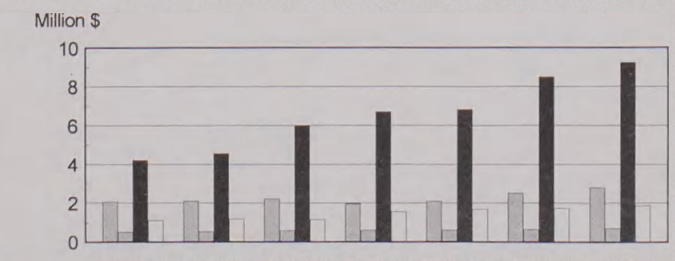
Source: U.S. Bureau of the Census.

Figure 5 **1994 Tax Base - State and County**



Source: Montana Department of Revenue, Biennial Reports.

Figure 6 **Ravalli County Taxes Levied, FY '89 - '95**



	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995
Counties	$2.07	$2.11	$2.24	$1.97	$2.10	$2.53	$2.81
Cities	$0.50	$0.54	$0.58	$0.59	$0.60	$0.66	$0.70
Education	$4.21	$4.56	$5.99	$6.71	$6.83	$8.50	$9.24
Other	$1.11	$1.17	$1.15	$1.57	$1.68	$1.75	$1.88
Totals:	$7.89	$8.38	$9.96	$10.84	$11.21	$13.44	$14.63

Source: Montana Department of Revenue, Biennial Reports.

Table 1
Respondent Demographics

285 mail & 70 phone = 355

Gender	
Male	58%
Female	42%
Age	
18-29	4%
30-39	16%
40-49	25%
50-59	18%
60-69	17%
70-89	20%
Born in Montana	
Yes	31%
No	69%
Years Lived in Montana	
0-5	15%
6-10	14%
11-15	6%
16-20	14%
20-25	6%
26 or more	45%
Years Lived in Bitterroot Valley	
0-5	24%
6-10	17%
11-15	10%
16-20	16%
21-15	5%
26 or more	28%
Education	
High school or less	23%
Some college	13%
College graduate	14%
Post-graduate study	19%
Household Income (1994, before taxes)	
Less than $10,000	10%
$10,000 to $19,999	20%
$20,000 to $29,999	21%
$30,000 to $39,999	15%
$40,000 to $49,999	11%
$50,000 to $59,999	8%
$60,000 to $69,999	5%
$70,000 or more	10%

Source: Institute for Travel and Tourism Research, The University of Montana.

"In a mountain/rural community, I believe more people have to have a truly land-based, natural resource-based economy and wealth. Tourism is a want-driven industry and as such is unstable."

"Most sides of tourism have negative effects. We need a more sound economic base to stabilize this Valley, not concentrating our efforts on the continual rise and fall of tourism tides and their trickle down effects that cheapen our way of life here."

- Bitterroot residents

agriculture, wood products, and retail all received comparable rankings, with manufacturing ranking slightly above this group (Figure 8). As we pursued the question further, 56 percent of residents thought tourism should play an economic role comparable to other industries, one-third felt it should play a minor role and only 12 percent wanted it to play a major role.

Many Bitterrooters seemed to feel that the level of tourism activity was already "comparable" enough. In fact, only one in four residents agreed that increased tourism would help the Bitterroot Valley grow in the "right" direction.

Tourism and Highway 93

Bitterrooters cited increased traffic as the biggest disadvantage to further tourism development. And they aren't the only ones worrying about local traffic levels. Montana Department of Transportation studies identify the Highway 93 corridor as a problem area. (Ed. Note: See Nicholson article, this issue, for more on DOT's highway rating system.) Average daily traffic levels taken at two points along the Valley stretch of Highway 93 during 1994 show that summer traffic volumes were 20 percent higher than the rest of the year.

As any business person knows, when business volume changes even a few percentage points either way, that's significant. A 20 percent increase is very substantial. For the Highway 93 commuter, who is already encountering considerable traffic, the fact of 20 percent more vehicles—and the prospect of even more through tourism development—is not positive. More traffic enhances neither quality of life nor basic safety.

Perceptually, a 20 percent increase in traffic in the summer is a tremendous change from the other nine months of the year. But any attempts to address the problem must look at the 80 percent base of resident travel as well as the 20 percent seasonal increase. Scapegoating the tourism industry won't solve the basic problem of heavy commute traffic, nor will rude gestures at out-of-state drivers.

"Our roadways cannot handle any more traffic. The existing local traffic is far too dangerous and overcrowded. Why would we want to encourage any more people to move here?"

"Any tourism development project must consider Highway 93 and the increased usage it will receive with more tourism. It must be widened to four lanes or at least have several areas with a passing lane."

"There is nothing worse for morale than to be stuck in a traffic jam of seasonal traffic while on the way to work."

- Bitterroot residents

From Development to Management: Envisioning a Future

Bitterrooters do want tourism to play a role in their economy, but they are experiencing negative impacts from current levels of tourist activity. It is not clear from our survey that further development of the industry is either necessary or desirable. Tourism development in the Bitterroot may need to look more like management and fine-tuning, a focusing-in, rather than further expansion in scale.

The Bitterroot application to the assessment program noted that, in the midst of "tremendous, almost frightening" growth, "[t]here is an urgent sense of need to reach consensus regarding our vision for our future, and to begin to actively manage for that future." Clearly, increased traffic congestion is not a desirable vision for the Valley's future.

Assessment committee members, if they choose development at all, would be wise to avoid intensifying traffic problems. In fact, they might consider actions to lessen congestion on Highway 93. Several respondents to our survey suggested that a recreational passenger railroad, or Valley excursion train, be operated between Missoula and Darby. If made attractive for commuter travel as well, such a service could address traffic problems by attacking both the resident base and the seasonal margin.

Residents themselves must decide what is acceptable tourism development. As facilitators in the assessment process, we can only suggest that local stakeholders try to maximize tourism's benefits for residents and minimize its negative impacts.

While we can't predict the outcome of the assessment process, we are certain that tourism in the Bitterroot—and its impacts—won't disappear simply because it isn't intentionally promoted or developed. Communities that want to choose their future must manage for it.❑

"Tourism will come—you can't close roads."

"The Bitterroot has been discovered. We can stick our head in the sand or we can begin to plan and accept what is going to happen."

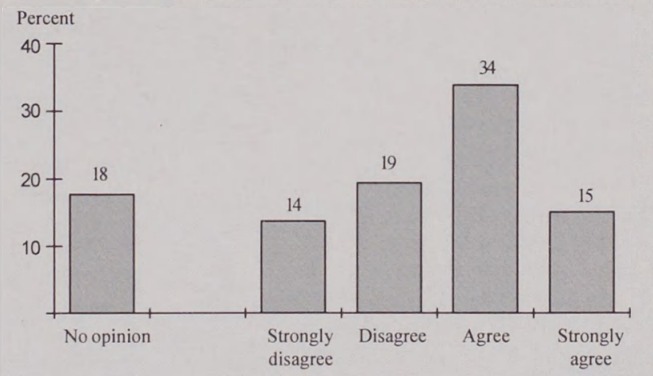
"Planning and management are the key. We can't stop it, but we can evaluate and plan ways to control it."

"The Valley has a beautiful rural character that must be protected by intelligent land use planning. Tourism, and the resulting development, can be accomplished and be a positive influence to us all if properly planned."

- Bitterroot residents

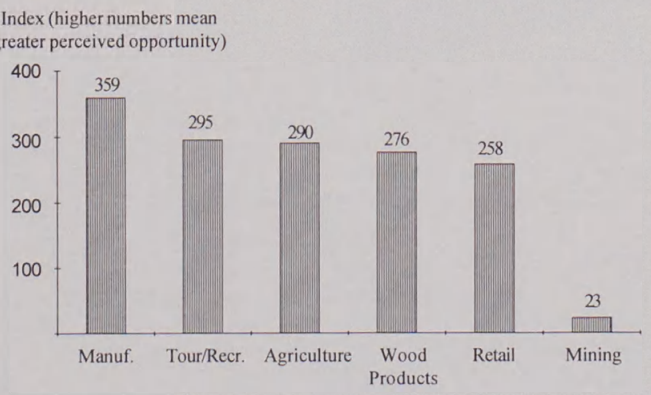
Nancy Lee Menning is director of the Institute for Tourism and Recreation Research at The University of Montana.

Figure 7
Bitterroot Valley Resident Responses to the Statement: "The Overall Benefits of Tourism Outweigh the Negative Impacts"



Source: Institute for Travel and Tourism Research, The University of Montana.

Figure 8
Best Opportunities for Future Economic Development, Ranked by Bitterroot Valley Residents



Source: Institute for Travel and Tourism Research, The University of Montana.

Putting a Price Tag on Nature

Problems and Techniques

by Emery N. Castle and Marlene R. Nesary

Can we put a price tag on the natural environment? This difficult question, long recognized as such by economists, is at the heart of many contemporary controversies over the use—and abuse—of publicly held land and resources. Readers may remember long court battles following the 1989 Exxon Valdez oil spill in Alaska. Much of that litigation focused on estimating and assessing monetary damages.

Economists became important players on both sides of the fray. Some experts argued that monetary damages could be assessed for lost indirect, as well as direct, use of Prince William Sound. That is, out-of-state kayakers who might visit these waters on vacation had suffered a quantifiable loss, as did local people who depended on its fish stocks to make a living. Others argued that the techniques and methods for quantifying such losses simply weren't valid.

Indeed, economic evaluation of the environment does rest on certain assumptions, and not everyone accepts them. But existing law supports the endeavor, and many other states besides Alaska are grappling with related problems. In Montana, for instance, the 1995 legislature approved $2.3 million to support the state's ongoing $635 million claim against ARCO for compensable damages to the Clark Fork River between Butte and Missoula. This case is expected to go to trial by 1997. Meantime, lawyers are collecting expert testimony from geologists, hydrologists, economists, and others.

Thus the arguments and issues discussed here mainly in relation to the Exxon Valdez case also impact the taxpayers of Montana. Not to mention the anglers, rafters, and nature writers interested in its rivers. We hope the following provides some context for understanding how the natural environment is being "priced."

Assumptions

First of all, putting a price tag on nature assumes that humans and their social systems (i.e., money) are the proper interpreters of value in the environment, and further, that people are the measure of all things. This is an anthropocentric view that some reject out of hand.

Nevertheless, humankind has already assumed de facto responsibility for managing the global environment through such economic activities as logging, plowing, diverting waterways, discharging substances into the air, building chalets on high slopes. Any realistic discussion of natural resource value therefore must include the broad range of human aspirations, objectives, and uses. The ways we *already* value the environment must be made explicit.

The process of making environmental value explicit entails further assumptions, one of which is central to the work of economists. That is, that the future will look like the past. Economic evaluation proceeds on the idea that the existing economy is a good base for predicting coming trends. The trajectories of today will hold as we move through time. The relations between people and between people and nature will hold through time, as will the present distribution of income and

wealth. More than that, the relations inherent in the present economy are sufficiently desirable so the burden of proof is on those who would disturb them. This assumes a normative judgement about present conditions that some reject.

Although these assumptions remain controversial with some Americans, existing law does hold that economic evaluation is relevant to public policy. Given that, the question is, not *if*, but *how*, we apply the techniques.

Methods

The earliest writings in resource and environmental economics recognized that pricing, say, outdoor recreation, would not be easy.[1] There were many complicated questions. What is the value of a beautiful view? Does the value change whether the view is enjoyed by one or by many? What if one person's actions block the beautiful view for many others? Do people derive utility, do they feel better, merely knowing that certain natural resources are protected—whether or not they directly experience these resources? Each of these question poses its own analytical problems.

One tool for estimating the value of outdoor recreation has become known as the *travel cost method.* Developed mid-century[2], this technique involves calculating travel costs to alternate sites. For instance, if a weekend angler has a favorite spot on a particular inlet and an oil spill damages that inlet, what will he or she spend in time and money to find and travel to another fishing hole? Calculating these costs provides an estimation of the demand for outdoor recreation[3], and provides a link between uses traditionally valued in the marketplace, such as commercial fishing, and those that may not have market value, such as recreational activity.

What about simply knowing a beautiful and pristine spot exists?[4] Is that a *public good*? How do we calculate a value for it? Public goods may be of two types. One is the direct enjoyment of a natural resource such as walking in a cathedral forest. Another stems from the knowledge that a particular cathedral forest exists, even if you personally haven't visited it yet, or may never do so. What is the value of this knowledge? In this case, the experience is contemplative, or passive; there is no behavior as such to observe and use as a basis for putting a price tag on the environment.

"Nevertheless, humankind has already assumed de facto reponsibility for managing the global environment through such economic activities as logging, plowing, diverting waterways, discharging substances into the air..."

Economists working on this problem[5] have come to rely on questionnaires as a way of discovering how much people would pay for a resource rather than be without it. Some experts and others still resist this method of arriving at a *contingent valuation* of natural resources, and there are many unresolved issues associated with its use. It is, however, the only method currently available for estimating contemplative or passive use values. Such estimates do constitute the weakest element of a comprehensive estimate of environmental damage. But it's worth remembering that questionnaires, polls, and surveys are well-established measuring systems for human attitudes, beliefs, and values in a number of domains—market research, political campaigns, etc.

Purposes

Why bother with this rather cumbersome economic calculus of natural resource evaluation? Consider the Exxon Valdez oil spill. The damage was clearly widespread. Commercial fishers who received benefits from pre-spill conditions were damaged, as were those who supplied recreational fishing trips. These private interests suffered financial loss because of the spill. But what about the general public—those who'd enjoyed the natural resources and beauty of Prince William Sound prior to the spill, and those who had knowledge of the spill, and believed the natural environment had been damaged, perhaps permanently?

Public policy has an established interest in these questions. And from the policy perspective there are three reasons to price the damages resulting from an oil spill or some other environmental insult.

- To permit compensation of direct individual losses, such as those experienced by commercial fishers and charter boat operators. The principle of equity, as well as the letter of the law[6], hold that compensation must be paid to those who are damaged, if the individuals can be identified and their losses quantified.
- To pay for environmental restoration. Surely common sense and the public interest demand that "if you mess it up, you clean it up." Unfortunately, current legislation does not effectively define what constitutes restoration. Is it the pre-incident condition? What if that pristine condition cannot be achieved by current clean-up technologies, or can only be achieved at the expenditure of millions or billions of dollars? Is that cost-effective? We don't yet have good models for linking the desirable and necessary goal of restoration with economic costs. Further research is needed in this area.
- As a deterrence. One goal of legislation in this area[7] is to affect future behavior. That is, as much as possible, to prevent industrial and other accidents that might do serious harm to the natural environment. If damage assessments are too low, they're unlikely to prevent future occurrence. Then taxpayers and society in general bear the risks and costs of preventable environmental insults. Too high, and assessments assume a punitive role that is perhaps unjustified by present policies. Although there is as yet insufficient research on the economics of deterrences and compliance, the goal of deterrence is plainly a legitimate one for policy makers.

(For more on the institutional and regulatory framework of natural resource

damage assessment, see footnote 8 at the end of this article.)

Appraisal and Summary

Where does this leave us? Can we put a price tag on the natural environment? The short answer is Yes. Yes, but—our methodologies are still evolving, and some tools are more controversial than others.

Using travel cost and other methods, we can estimate the value of noncommercial uses of outdoor recreation—the weekend angler, the hiker, the birdwatcher. If we're calculating the value lost because of, say, a toxic waste spill, our estimates are more reliable if that spill occurred recently. Damage across generations is harder to assess, but it has been done.

Contingent valuation remains a controversial element in the economist's toolkit, partly because of the questionnaires on which it relies. In the case of an oil spill, for example, should the survey suggest how long the damage will prevail, or should respondents make their own judgements? Should damage estimates be context-specific (i.e, this spill only)? Or can they be generalized, and to what extent? Such questions are the subject of ongoing research, and should yield additional insights.[9]

Passive or contemplated, rather than direct, use poses other vexing questions. What is the value of the *existence* of Prince William Sound in its pristine state to an Alabaman who has never visited Alaska and doesn't intend to? Passive use values in the Exxon Valdez case have been reported to be about $4 billion, with direct use values estimated at only $3.8 million.[10]

There is no doubt that many people believed they were worse off after the spill than before. But passive or contemplative use may be associated with development as well as preservation. Thus, some people may derive satisfaction and utility from knowing domestic oil is being transported—even with attendant risks—rather than having foreign oil imported.[11] Given that contemplative value can go either way, it is, perhaps, a poor concept upon which to base public policy decisions.

This is not to argue that pristine resources should be sacrificed on the altar of development. When people are damaged by accidents or negligence and suffer economically because they've lost direct use of a natural resource, they should be compensated accordingly. But estimating and assessing compensation due to lost existence value is both unsound practice and unnecessary for resource preservation. That may mean strong regulation and the potential for major fines—less for the purpose of punishing past accidents than to protect our valuable natural environment from future insult. ❑

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Some litigation (1989 *Ohio v. Department of the Interior*) has affirmed the use of contingent valuation methodologies, and established the primacy of "restoration" costs over lost use values. But this poses a paradox for less-developed areas, where lost direct use values may not be sufficient to justify restoration efforts. Thus, litigation in the 1989 Exxon Valdex spill places great importance (and monetary value) on passive use losses. Much of the controversy around contingent valuation has focused on whether it can be used to measure indirect or passive use values.

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Surrendered Out-of-State/Country Licenses

	August - December 1992	1993	1994	January - May 1995	Totals
Alberta	14	9	2	1	26
Alaska	116	300	330	138	884
Alabama	27	61	67	29	184
Arkansas	37	72	61	29	199
Arizona	238	580	550	200	1,568
British Columbia	6	1	2	0	9
California	1607	3,725	3,353	1,063	9,748
Colorado	419	956	1,062	439	2,876
Connecticut	67	102	122	36	327
District of Columbia	8	15	4	5	32
Delaware	6	23	20	9	58
Florida	187	452	456	168	1,263
Georgia	56	208	158	71	493
Guam	*	1	2	0	3
Hawaii	30	89	87	32	238
Iowa	81	153	152	45	431
Idaho	339	684	743	309	2,075
Illinois	164	378	379	123	1,044
Indiana	58	131	138	63	390
Kansas	78	200	153	63	494
Kentucky	25	75	58	12	170
Louisiana	32	95	79	24	230
Massachusetts	61	156	126	47	390
Manitoba	*	1	10	0	11
Maryland	73	136	130	49	388
Maine	22	51	53	24	150
Michigan	142	338	306	125	911
Minnesota	254	531	535	191	1,511
Missouri	60	180	172	79	491
Mississippi	19	42	48	16	125
North Carolina	60	174	128	48	410
North Dakota	181	460	420	159	1,220
Nebraska	72	174	185	62	493
New Hampshire	27	73	61	33	194
New Jersey	79	166	179	56	480
New Mexico	99	194	210	105	608
Nevada	193	415	361	128	1,097
New York	125	309	303	91	828
Ohio	113	272	207	88	680
Oklahoma	68	220	168	54	510
Ontario	3	1	0	0	4
Oregon	427	854	947	355	2,583
Pennsylvania	136	268	311	91	806
Rhode Island	17	11	16	6	50
South Carolina	25	74	67	21	187
South Dakota	115	240	275	104	734
Tennessee	49	92	84	68	293
Texas	268	628	639	201	1,736
Utah	173	396	463	179	1,211
Virginia	328	209	217	66	820
Virgin Island	9	16	21	2	48
Vermont	35	58	57	31	181
Washington	873	2,345	2,404	898	6,520
Wisconson	133	259	287	101	780
West Virginia	37	40	33	14	124
Wyoming	292	798	729	290	2,109
Yukon	*	*	1	*	1
TOTAL	8,163	18,491	18,131	6,641	51,426

* No available data

Tracking licenses is one way of looking at inmigration. These figures apply only to licensed drivers who trade their out-of-state licenses for a Montana registration. Note that the majority of these newcomers are from California, followed by Washington, Colorado, Oregon, and Idaho. The Montana Department of Motor Vehicles began collecting these data in August 1992. We present the cumulative figures to date.

Source: Montana Department of Motor Vehicles.

Lisa Tuckerman came West to ski, hike, bike, boat and live in a more casual and relaxed environment. Montana has many ski resorts like the one pictured.

Have Computer and Fax Modem, Will Travel

NY City Analyst Becomes Montana Lone Eagle

by Shannon H. Jahrig

Don't mistake them for Humming Birds or City Slickers. They're Lone Eagles, a growing group of freelance professionals who are abandoning jobs in the city, two-hour commutes, smog, and drive-by shootings to come to Montana where they can lead a "simpler, more rooted, front-porch way of life with the high-tech worldliness of computers and modems."[1]

Unlike Lone Eagles who live and participate in a community, a *New York Times* reporter describes Humming birds as: upscale types who fly into places like Montana and buy a 20-acre ranchette and build a little cabin to visit once or twice a year." Their part-time cabins and acreage are generally bigger, but Ted Turner, Jane Fonda, Dennis Quaid, Glenn Close, Michael Keaton, and Brooke Shields buzz in and out of Montana like Humming Birds. While Humming Birds rarely become Lone Eagles, City Slickers—dude ranchers, or tourists who come West to ride horses, run cattle, and fly fish—often become Lone Eagles because this lifestyle can be catching.[2]

Photo of Lisa Tuckerman — Aiuppy Photographs

Montana made the cover of *Time* magazine almost two years ago with reports of increasing numbers of Lone Eagle types coming to set up business. "The Rocky Mountain home of cowboys and lumberjacks has become a magnet for Lone Eagle telecommuters and Range Rover-driving yuppies," reports Jordan Bonfante of *Time*. Figuring out just how many Range Rover-driving yuppies there are is a bit complicated because freelancers don't have the same reporting system as other businesses. LINK Resources, a New York-based firm that researches corporate trends, expects the United States to have 47.4 million "homeworkers" by the end of 1995. LINK breaks homeworkers down into four categories: telecommuters, primary self-employed homeworkers, part-time self-employed homeworkers, and corporate after-hours homeworkers. Lone Eagles, who fit into either the telecommuter or primary self-employed category, make up about half of current homeworkers. LINK predicts that by the end of 1998, nearly 60 million people will be working at home on a full- or part-time basis.[3]

Even though she drives a half-ton Ram pickup truck instead of a yuppie-mobile, New York City transplant Lisa Tuckerman of Bozeman, Montana still fits most of the other Lone Eagle prototypes. She's got a computer, a modem, a fax machine, and she depends heavily on Federal Express and commuter airlines. She came to Bozeman mainly for the Bridger mountains, the fresh air, and the recreation; she skis, hikes, bikes and boats. Like many other "footloose technoyuppies with portable computers" or "modem cowboys" she can do her job anywhere—Bozeman, Montana, New York, Anchorage, Alaska, or Brazil. A stock analyst and portfolio manager, Tuckerman is what Philip Burgess, president of the Center for the New West in Denver, calls a new breed of workers: a "knowledge worker" valued for her know-how, experience, decision-making skills and solid grasp of technology. Lone Eagles like Tuckerman live by their wits and remain connected to the outside world by faxes and modems.

Based in her Bozeman office just off Main Street with its trendy cappuccino bars, bookstores, and boutiques, and only minutes away the Montana State University campus, Tuckerman starts her morning pouring over more than a dozen faxes that have come from other financial analysts and from her New York office—Spears, Benzak, Salomon & Farrell, Inc., an investment firm in Rockefeller Plaza. The faxes are important because they contain overnight reports and information she has to see before the stock market opens on Wall Street. Next she switches on her

computer to scroll through stock quotes, newspaper headlines, and economic statistics. This data will help her determine whether to be a buyer or a seller that day. Then she e-mails or phones her partners to see what they're up to.

Spears, Benzak, Salomon & Farrell manage about $3.2 billion per year in assets; of this Tuckerman handles about $50 million from her Bozeman office. Tuckerman is one of ten partners who manage investments for individuals, non-profit institutions, and pension funds. The firm's investment style is primarily value-oriented instead of growth-oriented. She explains the difference:

"Value investors want to buy good businesses cheap, while growth investors want to buy hot new companies and they're willing to pay a premium. Classic value stocks are things like utilities, which yield slow growth, but are stable and predictable. Classic growth stock would be technology— things like Intel which is growing very, very rapidly, but you're paying a premium to own that growth. Growth is more risky, but presumably you earn better returns. We try to blend the two. We're looking for really good companies that are growing above the average of corporate America, but are selling for a cheap price for some reason."

Tuckerman's job is to investigate companies all over the U.S. and make a recommendation to her partners whether to buy the stock. Her expertise is health-care related companies with a focus on biotechnology. Last year, she was quoted in a *Business Week* cover story, "Biotech: Why It Hasn't Paid Off" with the stark assessment that "70 percent of these [biotech] companies need to go out of business." She explains that while biotech is the most important emerging industry for the next 15 years, it is based mostly on hopes and expectations. After Amgen's huge successes with a kidney disease drug in 1990 and a cancer treatment drug in 1991, there was an explosion of biotech companies and venture capitalists. Now the United States has about 1,200 biotech companies, many of which have only one or two technologies.

"Most of the time the technology fails," Tuckerman says. "Easily 80 percent of the drugs fail." Her suggestion is to merge companies together to reduce the burn rate, or amount of money the company is absorbing per year until it becomes profitable.

"The biggest advantage of being in Bozeman is that you're separated from the constant activity in New York....I think I'm more focused and less superficial."

- Lisa Tuckerman

Background

After receiving her psychology degree in 1986 from Brown University in Rhode Island, Tuckerman went to work at Spears, Benzak, Salomon & Farrell as Bill Spears' assistant. She got her big break one day when none of partners was able to go to a meeting. She tells it this way:

"The partners decided to send me because they figured I was smart enough, dressed well enough, and probably wouldn't embarrass them. After the meeting I wrote a one-page memo of what I thought somebody would want to know from that meeting and they called me in a week later and said, 'How would you like to become a stock analyst?'"

I said, "Ok, but what does a stock analyst do?"

They said, "The first thing they do is get a raise."

I said, "That's all I need to know."

"At the time, I didn't know what book value was, or price-to-earnings ratio was, I had no background at all—zero," Tuckerman said. She then started taking courses to become a chartered financial analyst (CFA). A CFA is to the analytical

The Lone Eagle Phenomenon

The following is excerpted from "The Lone Eagle Reading File" compiled by the Center for the New West in Denver.

What we call the Lone Eagle phenomenon is largely the result of four New Economy trends:

FIRST, large corporations are making radical changes to adjust to the New Economy. They are outsourcing, downsizing, delayering and re-engineering. Some because they are losing in the marketplace; others to become more competitive, take advantage of new technologies or try new approaches to quality management. *Workplace Trends* newsletter reports that, during the first five months of 1992, U.S. companies laid off over 1,500 workers every business day. According to an American Management Association survey, middle managers took nearly 22 percent of all job cuts in 1992—although they made up only 5-8 percent of the workforce.

The slashing and streamlining are not just temporary reactions to a recession. More than cost-saving measures, they are part of fundamental changes in the ways companies do business. American corporations are re-inventing themselves to do things better, faster, more creatively—as well as more cheaply.

Implication: Although large corporations will offer little opportunity for job creation in the 1990s, large numbers of highly skilled professionals are looking for new careers, starting businesses or consulting for former corporate employers.

SECOND, technology advances, especially in computers and telecommunications, are overcoming traditional penalties of

community what a CPA is to the accounting community.

After six years in New York, she approached her boss about relocating to Montana and doing her job via fax modem and telephone. She chose Bozeman for several reasons: it had a ski hill, a university, and it was a decent size. Of course, the fact that she married a Boston native who had graduated from The University of Montana in Missoula influenced her plans.

"We didn't want a place like Jackson Hole—a totally wealthy visitor community," Tuckerman said. "In Bozeman you have a university, a real local community, culture, young people, constant turnover."

"Lone Eagles are not the answer for people who lose their jobs and need to be employed."
- Judy Smith, WEDGO

The Eagle's Nest

Lone Eagles, typically analysts, brokers, writers, management consultants, manufacturers' reps, and software designers, often move to rural areas to escape crime, bad schools, and crowds, and to find a better quality of life. According to Burgess at the Center for the New West, Lone Eagles don't flock—they are found all over the place. Based on interviews with more than 100 Lone Eagles, Burgess says, "Upscale Golden Eagles nest in places like Aspen, Palm Springs, Jackson Hole and Telluride, but Lone Eagles are found in all those place plus Brush, Montrose, and Durango, Colo.; Superior, Neb.; Rapid City, S.D.; Bend, Ore.; Bozeman, Mont.; and Pocatello, Idaho."

Tuckerman is content with her Bozeman nest. When she lived in the suburbs of New York it took her one hour and 15 minutes to get to work and at least that much time to get home again. In Bozeman it takes her 8 minutes to get to work by car and 15 minutes by bike. She has a creek in her backyard and a spectacular view of Mount Ellis and the Bridgers. The only view she had in New York was of her neighbors' yard, she says. She sets her own hours (7 a.m. - 3 p.m. not including non-office time spent reading and traveling) and gets to wear shorts, a T-shirt and sandals to work. "My dry-cleaning bills have gone down a whole bunch."

"The biggest advantage of being in Bozeman is that you're separated from the constant activity in New York," Tuckerman says. "In New York you could meet with management at breakfast, lunch, and dinner five days a week. The problem is you do a lot of meeting and not a lot of in-depth work. I think I'm more focused and less superficial [living in Bozeman]."

The disadvantage is that she has to work much harder, phoning clients and management and traveling to meet with them, she says. Tuckerman travels to New York about once every five weeks.

From Bozeman, Tuckerman researches health-care companies all over the United States. In addition to her own knowledge base, she has contacts with all the big brokerage firms on Wall Street. All of the firms have analysts who recommend stocks. Before buying stock in a company Tuckerman tries to determine:

- what their earning power is
- trends affecting the business
- what management is doing to maintain or increase the growth
- what problems the industry faces
- is it an attractive price or an unattractive price

To find the answers to these questions Tuckerman visits the companies, visits their competitors, talks to their suppliers, to people buying products from them, and to analysts who know the business well.

space and distance, opening up new opportunities for nonmetropolitan America. *Fortune* magazine calls the merging of computer and telecommunications "The Information Revolution," a "second industrial revolution" which is radically changing the basic metabolism of our society. "The explosive advances in telecommunications and computing make the hinterlands ever closer," asserts *Forbes.*

Implication: Technology enables people to "telework" and "telecommute," using telecomputing technologies to work wherever they choose.

THIRD, the Information Revolution—where brain, not brawn is capital—is creating a new breed of worker: "knowledge workers," valued for their know-how, experience, decision-making skills and solid grasp of technology. Management wizard Peter Drucker estimates that 30-40 percent of all today's workers are knowledge workers.

Implication: Since knowledge workers "own" their knowledge and information skills, they carry their "means of production" with them wherever they go.

FOURTH, we are in an era of a great shift in lifestyle preferences. More and more Americans are leaving Big Cities to pursue a better quality of life. Many leave to escape violence, traffic congestion, political gridlock, and air and water pollution. A portion leave to escape bad schools and high taxes. Some, to gain more control over their lives. Others, to gain more elbowroom.

Implication: A large number of "Birds of Passage" are looking for suitable nests in Small Town America.

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"Sometimes you do all that work and decide not to buy stock. But your time is not wasted; it becomes part of your knowledge base. I have several companies floating around in the back of my mind at all times. I'm aware of what's going on and then something happens which triggers my interest and I decide I have to look at it right now."

Community Assets?

Though most communities don't actively recruit Lone Eagles, some believe they can be a real asset. "They will commit to the community, and they will not require tax subsidies or other give aways that corporations demand. Some will become important employers and will make important contributions to the economic and social fabric of a small town....Knowledge workers will sink their roots; they will serve on the library board and perhaps even run for the county commission, bringing new ideas and a fresh perspective, contributing to the ongoing process of community renewal."[4]

Some Lone Eagles want to be part of the community, but some don't, says Judy Smith of the Women's Economic Development Group in Missoula. She doesn't spend time recruiting Lone Eagles because they usually employ only themselves and their dollars don't turn over in the local economy. While she doesn't want to discourage Lone Eagles from locating in Montana, she spends her time recruiting businesses that will create jobs. She would like to recruit more businesses like the bicycle helmet operation in Mineral County. "These types of places usually employ three to ten people who do quality control or something and they pay them $8 to $10 per hour. Lone Eagles are not the answer for people who lose their jobs and need to be employed."

Lone Eagles will come to Montana on their own, they don't need to be recruited, says Dixie Swenson of the Gallatin Development Corporation. They are looking for a lifestyle change and the Big Sky Country—with its mountains, lakes, rivers, and friendly, casual people—provides that opportunity. Swenson's organization focuses mainly on recruiting technology-based businesses that offer high-paying jobs and hire Montana graduates. These sorts of businesses are attracted to Bozeman because of the research capacity at Montana State University.

Tuckerman agrees that Spears, Benzak, Salomon & Farrell don't contribute hugely to the Montana economy, but she does have an employee who might not otherwise be employed and she pays Montana taxes. She is also starting to do more business with Montana organizations—the Montana Community Foundation, Merrill Lynch, and Piper Jaffray.

Skip Yates, another Montana Lone Eagle who settled in Lolo after becoming disillusioned with big companies, plays a major role in his community. He serves on both the Missoula and Lolo school boards and runs the Marshall Mountain Ski School. From his home in Lolo, Yates and his partner operate a mineral exploration business. Yates also generates considerable business for Missoula Blueprints, which makes all his maps, and hires university students for surveys. He and his partner both own homes here and pay corporate taxes.

Lone Eagles will keep coming to "micropolitan America and especially to the West, where good weather and outdoor amenities are a powerful magnet," says Burgess, president of the Center for the New West in Denver. "Most Lone Eagles will want the same day delivery of *The Wall Street Journal* or *The New York Times*, access to good health care services; cable television; and a good bookstore. A large number of Lone Eagles have young families, so good K-12 education is important."

Also important to Eagles are:

- Proximity to an interstate highway
- Proximity to an airport
- Access to express mail services
- Access to science and technology talent
- Access to advanced communications, including cellular phones and good telecommunications services

"Lone Eagles, seeking a new way of life, may represent America's most important lifestyle change since the rise of the two-wage earner family of the 1970s," Burgess says. "And, for the West, the growth they stimulate is quieter, slower and more permanent, driven by the quality of life a community offers—not a boom stimulated by an ore body on the edge of town."❑

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Endnotes

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[2]Philip M. Burgess, "Lone Eagles Nest in the West," *Rocky Mountain News*, September 15, 1992.
[3]Link Resources Corporation, (212) 627-1500.
[4]Philip M. Burgess, "In Chancy Times, Lone Eagles Soar," *Rocky Mountain News*, June 16, 1992.

Fueling Montana Highways

The Role of Federal Transfers

by Stan Nicholson

What is Montana's fastest growing source of public revenue? Federal dollars. Over the past decade, the growth of federal dollars for state programs has outpaced even the modest rise in Montana tax revenues.[1] These "transfers" from federal coffers provide crucial support for our highway program, health and social services, and, to a lesser extent, our education and cultural programs.

A few highlights of that somewhat unbalanced arrangement follow.

Drawing on Census Bureau data and analysis by the Washington D.C.-based Tax Foundation, a recent Montana newspaper article reported that our state received $4.4 billion in federal transfers in 1993.[2] As a point of reference, that is about 24 percent of total Montana personal income.

Of course, Montana citizens also pay federal taxes, but on balance, we receive back $1.38 for every tax dollar sent to Washington. Only five states, according to the Tax Foundation analysis of 1993 data, have a more favorable ratio: New Mexico, Mississippi, West Virginia, North Dakota, and Virginia.[3]

Some Montana counties do better than others in the federal "take/give" ratio. According to a recent story in the *High Country News*, Teton County, northcentral Montana's self-proclaimed malting barley capital of the world, gets back some $2.50 for every dollar it sends to the feds in taxes—federal largesse for "everything from disaster aid to discount school lunches" to a variety of farm subsidies.[4]

Basic Aid Categories

The Tax Foundation divides federal spending in the states into four basic categories:

- payments to individuals, such as Social Security and Medicare;
- procurements — largely for military contractors;
- wages and salaries for federal employees; and
- transfers for state and local government programs.

How does Montana compare with other states in these categories? We're about average on payments to individuals and on federal wages. With few military contractors doing business in the state, we're way below par in that category. We exceed the average on farm subsidies, and do even better on transfers to state and local government programs.

Most particularly, transfers for highway programs push the latter category out of line—not surprising, perhaps, given the size of Montana and its miles of roads. In 1993, Montana received a solid $2.57 in federal transfers for every $1.00 of federal fuel tax collected.[5]

According to the 1994 Montana Comprehensive Annual Financial Report, federal transfers have been the fastest growing source of state revenue.[6] After adjusting for inflation, these transfers grew 25 percent between 1988 and 1994, while inflation-adjusted taxes for the period grew only 13 percent (Figure 1). Furthermore, only about half of the 13 percent tax growth is "real" because an accounting change mid-period put more property taxes into the mix than had been tabulated at the beginning of the study period.

It's not just that the rates of growth are different, either. Federal dollars are absolutely crucial as well. In 1994 federal support for state programs amounted to $684 million dollars, compared with revenue from all state taxes of $1,026 million.

Clearly, Montana government is *very* dependent on dollars from D.C.

One might logically expect Montana's fastest growing government programs to be those most closely tied to federal dollars. And that's generally true, as Figure 2 shows. Between 1988 and 1994, the state's health and social service programs (several large ones tied to federal dollars through Medicare, Medicaid, AFDC, etc.) in the state grew by more than 37 percent. The Montana Highway Program has also grown, financed roughly equally with increased motor fuel taxes and larger federal transfers.

As we go to press, legislators in Washington D.C. are moving to balance the federal budget. Their actions will almost certainly reduce the flow of federal transfers into Montana. And this, in turn, will force tough choices in Helena and elsewhere around the state. For example, should we raise fuel taxes again? Or reduce planned highway reconstruction and maintenance?

Montana's Highway Program

In 1957, before the nation's program of interstate highways was instituted, Montana state and local governments spent 28 percent of all budget moneys on roads.[7] By 1992 that share had dropped to 12 percent.[8] However, construction and maintenance activities have expanded substantially, especially in the past two years, and that will probably interrupt the state highway program's long trend of a declining relative burden. We expect that to be only a temporary aberration in the general direction.

Two other program trends are worth noting. The number of full time equivalent (FTE) employees in the Montana Department of Transportation has dropped by 15 percent since 1980[9], yet the quality of state roadways (measured by indices such as potholes, passing lanes, etc.) is steadily improving, as described below.

The state highway system includes: 1,200 miles of interstate highways; 5,450 miles of primary highways; and 4,760 miles of secondary roads—only about 3,000 miles of which are paved. What about relative levels of use? The department's transportation Planning Division estimates that in 1993, the interstates accounted for 36 percent of total vehicle traffic miles, while primary roads accounted for 54 percent, and secondary roads for 10 percent.[10]

Montana's portion of the interstate system was completed in 1988, for a total cost of $1.2 billion. State tax dollars paid for less than 10 percent of that cost, only $100 million.This highly favorable Washington/Montana financing arrangement is still in place, but given the current budget cutting mood, it will probably change.

Financing the System

In 1983, the Montana Legislature established a Reconstruction Trust Fund, which authorized borrowing $150 million for the state's highway program. At the same time, a portion of the coal tax was assigned to this Fund. The Trust Fund provided about $30 to $35 million dollars annually through 1992, and was responsible for a marked upgrade in the state's primary highways.[11]

In 1993 the Legislature approved increases in the fuel tax—by $.04 a gallon beginning in July, 1993, with an additional $.03 authorized for 1994. That action brought the total state fuel tax to $.27 per gallon; $.17 of that is available for highways, and the remainder goes to a variety of other DOT programs, including rebates to farmers and payments for local government. (Federal taxes amount to another $.18 on gasoline and $.24 on diesel.) Increased state taxes (and an improved collection system), coupled with growing federal transfers, have fueled accelerated highway reconstruction and improvement. Table 1 details this expansion.

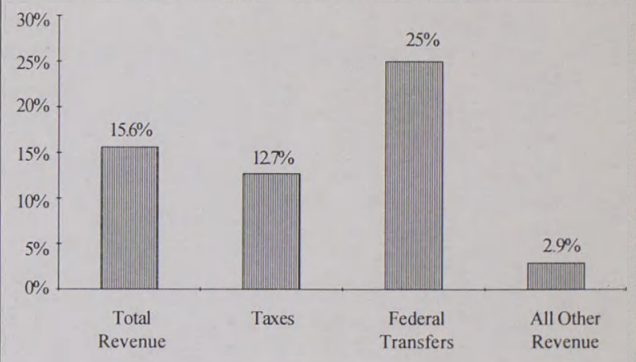
While the highway program itself has been growing, materiel prices have held remarkably steady. Costs for asphalt, a major ingredient of road-building, have not risen as fast as general inflation. Indeed, since 1989 Montana's highway program has expanded nearly twice as fast as overall state funding for the period— about 30 percent adjusted by the index of highway costs, compared to about 15 percent.[12] How have these infusions of tax dollars affected the quality of Montana's highways?

The Reconstruction Trust Fund legislation of 1983 made highway preservation a high priority. One measure of that, road surface quality, has improved significantly: over 2,500 miles of Montana's primary highways were upgraded from "fair" or "poor" to "good" during the past decade. In 1984, less than 30 percent of our primary highways were rated "good"; by 1992, over 75 percent got such good marks.

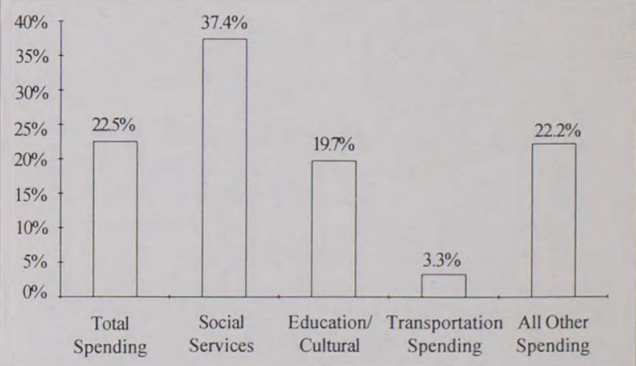
DOT also maintains a composite index, the Level of Service (LOS), of probable driver frustration due to heavy traffic and limited passing opportunities. While traffic increased by about 20 percent between 1983 and 1993, the LOS dropped by less than that. In 1983, 91 percent of the system was rated "good" or "excellent"; the figure was 86 percent for 1993.

Figures 1 & 2

Inflation-Adjusted Revenue Changes, 1988 to 1994



Inflation-Adjusted Spending Changes, 1988 to 1994



Source: Montana Comprehensive Annual Financial Report, Year Ended June 30, 1994.

Table 1
Revenues and Spending for Montana's Highways, Adjusted to 1995 Constant Dollars 1989, 1991, 1993, and 1995 (projected)
(Millions of Dollars)

	1989	1991	1993	1995
Revenues				
Federal transfers	$114.2	$116.6	$154.5	$153.4
Fuel taxes	115.4	114.0	126.0	158.1
GVW fees	27.7	27.6	32.2	27.0
Coal taxes	7.7	6.7	0.1	4.9
Other	9.1	4.9	1.4	1.6
Total	$274.1	$269.9	$314.3	$345.0
Spending				
Construction	$167.3	$191.9	$210.1	215.2
Maintenance	44.5	50.1	56.0	60.6
Debt service	11.6	11.3	20.9	17.8
Highway, other	11.0	12.4	14.5	8.9
Non-highway, other	27.0	28.1	29.3	36.0
Total	$261.4	$293.8	$330.7	$338.5

Source: Montana Department of Transportation, Reports to Legislature,
* Federal Highway Administration, Price Trends for Highway Construction National Annual Average.

It probably comes as no shock to Ravalli County and other Western Montana residents and travelers that the Highway 93 corridors north and south of Missoula have poor LOS ratings. (See cover story, this issue, for more on this frustrating traffic situation.)

Guessing the Future

Reading DOT reports and talking to officials, one gleans the impression of a well-managed highway program. Recent legislative sessions have supported program efforts with increased fuel taxes and federal officials have raised the flow of dollars into DOT coffers. The prevailing view seems to be that our vast distances and rural/urban dependencies call for good roads and highways. Montanans know that roads are important so, overall, we support the building and maintenance of a good road system.

In addition to threatened budget cuts from the federal side, we face internal questions as well. Is the distribution between our highway regions fair and equitable? Should the major alignment in the system be East/West or North/South? Can we do both? Do we have the proper balance among road, rail, air, and pipeline services? Have we achieved a good balance in our spending on state highways, county roads, and city streets? How will differing federal funding formulas affect the mix? For instance, at present Montana receives over $6 in federal transfers for every $1 we invest in qualifying highway improvements. That degree of leverage may very well be reduced in coming years.[14]

Currently, about half of Montana's total highway program budget comes from federal transfers (Table 1). Department officials expect at least a 20 percent reduction in that federal match—down by about $30 million beginning October 1995.[15] Beyond actions to balance the federal budget, Montana's rich tax/receive ratio is certain to catch the eye of "donor" states when the whole program comes up for reauthorization in 1996.

If federal transfers are significantly reduced, how will our state legislators respond? Cut the broadly supported highway program? Raise taxes?

Imagine a truckload of tax protesters speeding to a public meeting so they can object to the cancellation of their favorite highway improvement! Or imagine diminishing public support for our highways based on the belief that other forms of transportation (bicycle, rail, mule train) should be developed. Or that Montanans decide to quit repairing chuckholes and smoothing down frost heave, in the belief that such hazards will discourage tourists and new residents.

In many ways, these budgetary questions add up to a delicious dilemma—one that could offer some far-reaching and creative opportunities for that famous old Montana self-reliance.❑

Endnotes

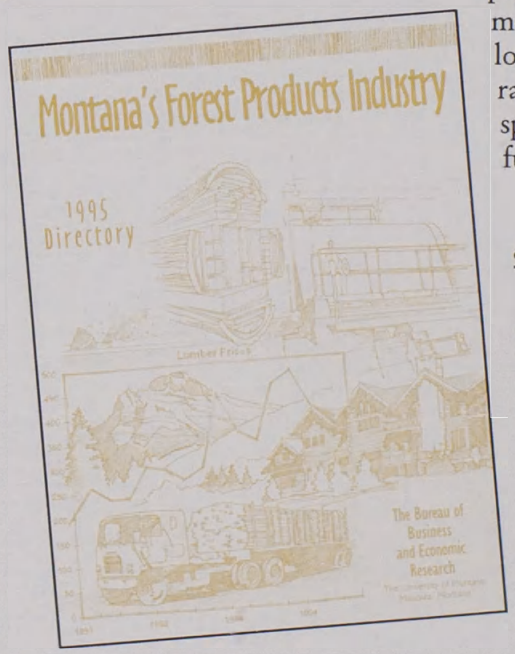
1. Douglas J. Young, "Why Views on Taxes Differ," MSU News and Communications Service; and Figure 1, later on in this article.
2. *Missoulian*, March 19, 1995, drawing on data prepared by the US Bureau of the Census, and the analysis of a Special Report of the Tax foundation of Washington D.C.
3. This ratio is calculated after adjusting for the deficit. Without such an adjustment, it is conceivable that all 50 states would receive back more than paid in taxes.
4. "A Montana county unearths major welfare queen: itself," *High Country News*, June 12, 1995, p. 6.
5. Montana Department of Transportation, Transportation Planning Division, Memo, June 1995.
6. Montana Department of Administration publication, June 30, 1994.
7. Maxine Johnson, "State and Local Taxes in Montana," *Montana Business Quarterly*, September, 1958, p. 9.
8. Douglas J. Young, "Montana Taxation and Expenditures: trends and comparisons," 1995 Update, MSU, Extension Service, Bulletin 114, p. 8.
9. Montana Department of Transportation, Report to the 54th Legislature, 1995.
10. Montana Department of Transportation, Transportation Planning Division, Memo, June 1995.
11. Montana Department of Highways, Report to the 51st Legislature, p. 11.
12. The growth in state spending is calculated after adjusting for the expanded definition of state spending which was a direct consequence of including more property taxes in the state accounts.
13. Montana Department of Transportation, Transportation Planning Division, Memo, June 1995.
14. Ibid.
15. Ibid., and Charles Johnson, "State Officials Worry about Highway Funds," *Missoulian*, June 1, 1995.

Stan Nicholson is a consulting economist with the bureau and directs the Montana Fiscal Forums.

Wood Product Manufacturers Directory Available

"The 1995 Directory of Montana Wood Product Manufacturers" was recently published by the Bureau of Business and Economic Research. The Directory, listing 183 processors of timber and mill residues in Montana, will be very useful to those interested in selling timber and/or buying finished products.

The 1995 Directory contains information on manufacturer locations and mailing addresses, contact persons, phone numbers, species of timber used, products manufactured and annual production capacity. Products available from these manufacturers include lumber, timbers railroad ties, plywood, paper products, particleboard, medium density fiberboard, house logs and log homes, fence posts and rails, utility poles grape stakes, split-rail cedar fencing, and wood fuel pellets.



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The Bureau's Economics Montana forecasting system is an effort to provide public and private decision makers with reliable forecasts and analysis. These state and local area forecasts are the focus of the annual series of Economic Outlook Seminars, cosponsored by the Bureau and respective Chambers of Commerce in Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, and Missoula.

The Bureau also has available county data packages for all Montana counties. These packages provide up-to-date economic and demographic information developed by the Bureau and are not available elsewhere.

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The Forest Industries Data Collection System, a census of forest industry firms conducted approximately every five years, provides a large amount of information about raw materials sources and uses in Montana, Idaho, and Wyoming. It is funded by the U.S. Forest Service. The Montana Forest Industries Information System collects quarterly information on the employment and earnings of production workers in the Montana industry. It is cosponsored by the Montana Wood Products Association.

The Bureau's Natural Resource Industry Research Program enables the Bureau to continuously monitor Montana's natural resource industries and improve the public's knowledge of them and their roles in the state and local economies. This program provides easily accessible information about all the natural resource industries. Sponsors are the Plum Creek Timber Company, Montana Wood Products Association, and American Forest Resource Alliance.

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